



**COUNCIL PRESIDENT PRO TEM KEVIN L. FAULCONER
CITY OF SAN DIEGO
SECOND DISTRICT**

M E M O R A N D U M

DATE: May 27, 2009
TO: Honorable Mayor Jerry Sanders
FROM: Council President Pro Tem Kevin L. Faulconer
SUBJECT: Inclusion of Additional Auditors in May Revise

The release of the May Revision to the Fiscal Year 2010 Proposed Budget reveals the financial hardships the City of San Diego will be facing in both the upcoming and 2011 fiscal year. It is with these projections that our attention must turn to ways in which departments can implement efficiencies and reduce costs. Our City Auditor has demonstrated his ability to perform objective and valuable audits that identify operational weaknesses and provide potential corrective actions.

While I understand that departments throughout the City are tightening their belts to prepare for smaller budgets, I am concerned that the Audit Committee's unanimous request to fund three (3) additional auditors (beginning calendar year 2010) and a fraud investigator (for entire 2010 fiscal year) was not included in the May Revise. It has been indicated to the Audit Committee, full Council, and staff that the cost for these additional positions total approximately \$399,065. Furthermore, the City Auditor has indicated that the possibility exists work conducted by the office can be assigned to enterprise departments and agencies to recover a portion of the costs, thereby limiting the impact to the General Fund.

The investigations conducted by the department are of the highest caliber and will potentially result in millions of dollars in savings and efficiencies and help us to avoid the fiscal and internal control problems of the past. Following the adoption of the department's budget, the Auditor will release his Fiscal Year 2010 risk assessment and identify areas in which audits can be conducted to produce the greatest savings. It is likely that staff and other councilmembers will ask that other programs and departments be included within the year's work plan. Additional auditors will maximize the number of audit hours during a limited time frame.

Additionally, the inclusion of the additional auditors complies with the recommendation of the best practices report completed by the Audit Committee's consultant Jefferson Wells in April

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2008. The report recommends a staffing level of 24.5 FTE's to complete the City's Audit Work Plan. This recommendation coincides with 3-year escalation plan recommended by the Committee to reach this target.

On May 14, the Independent Budget Analyst (IBA) released a matrix outlining all budget saving ideas presented by the Council. In all, over \$15 million in potential savings were identified. Less than three percent of those ideas need to be implemented to cover the additional costs of four staff members dedicated to identifying savings.

I respectfully ask that consideration be given to amend the May Revise to include these additional positions before it is brought back to Council on June 1, 2009.

KF:cjc

cc: Honorable City Councilmembers
Andrea Tevlin, Independent Budget Analyst
Jay Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Eduardo Luna, City Auditor